On the Ball

Church of England Pensions Board chief executive, John Ball, tells Francesca Fabrizi how preparation, collaboration and a keen eye on sustainability were key to the success of the recent Church Workers Pension Fund buy-in with Aviva

Church of England Pensions Board chief executive, John Ball

The Church of England Pensions Board recently completed a £145 million buy-in for the Church Workers Pension Fund (CWPF). Please tell us about the fund.

The CWPF provides occupational pensions for employees of Church of England (CofE) organisations, which range from youth workers and administrators in local parishes, to staff serving in cathedrals, as well as staff in regional and national offices. The recently announced buy-in contract covers the defined benefit (DB) scheme, which is one of three sections in the CWPF. CofE clergy are part of a separate pension scheme.

Please tell us why you decided to go down the buy-in route, and how it differed from your previous buy-ins with Prudential (in 2013) and Aviva (in 2022).

The first buy-in contract in 2013 covered around 70 per cent of the then pensioner liabilities. Through strong investment performance and improved financial conditions, in 2022 we were able to insure all the remaining pensioner liabilities to that point.

However, we were also observing that the DB scheme was maturing rapidly. The last active members ceased service in the scheme earlier this year. With a strong funding position in place, this presented an ideal opportunity to back the remaining benefits with a further bulk annuity contract.

Aviva was selected on the back of extensive due diligence by the Church of England Pensions Board and following the release of the Charter for Sustainability in Bulk Annuities. Please tell us more about this charter and how it affected your decision.

The Church of England Pensions Board has robust net-zero commitments, stewardship commitments, a strong ethical investment focus, and a concern for the world that our members will retire into.

Our interest in applying a greater focus on sustainability in bulk annuity transactions arose from our experience with the 2022 buy-in. We felt that there was more that could be done to improve transparency and properly integrate sustainability principles into these types of transaction, particularly where trustees had made commitments about assets in their care (e.g. net zero, biodiversity, or human rights commitments).

Together with Railpen and A4S, we convened a process to explore these issues with other interested pension funds, the major bulk annuity insurers, and leading advisory firms. We were pleased that insurers and advisers wanted to engage on this, and the charter was launched in January this year: https://www.accountingforsustainability.org/en/about-us/our-networks/asset-owners-network/bulk-annuity-sustainability-principles-charter.html

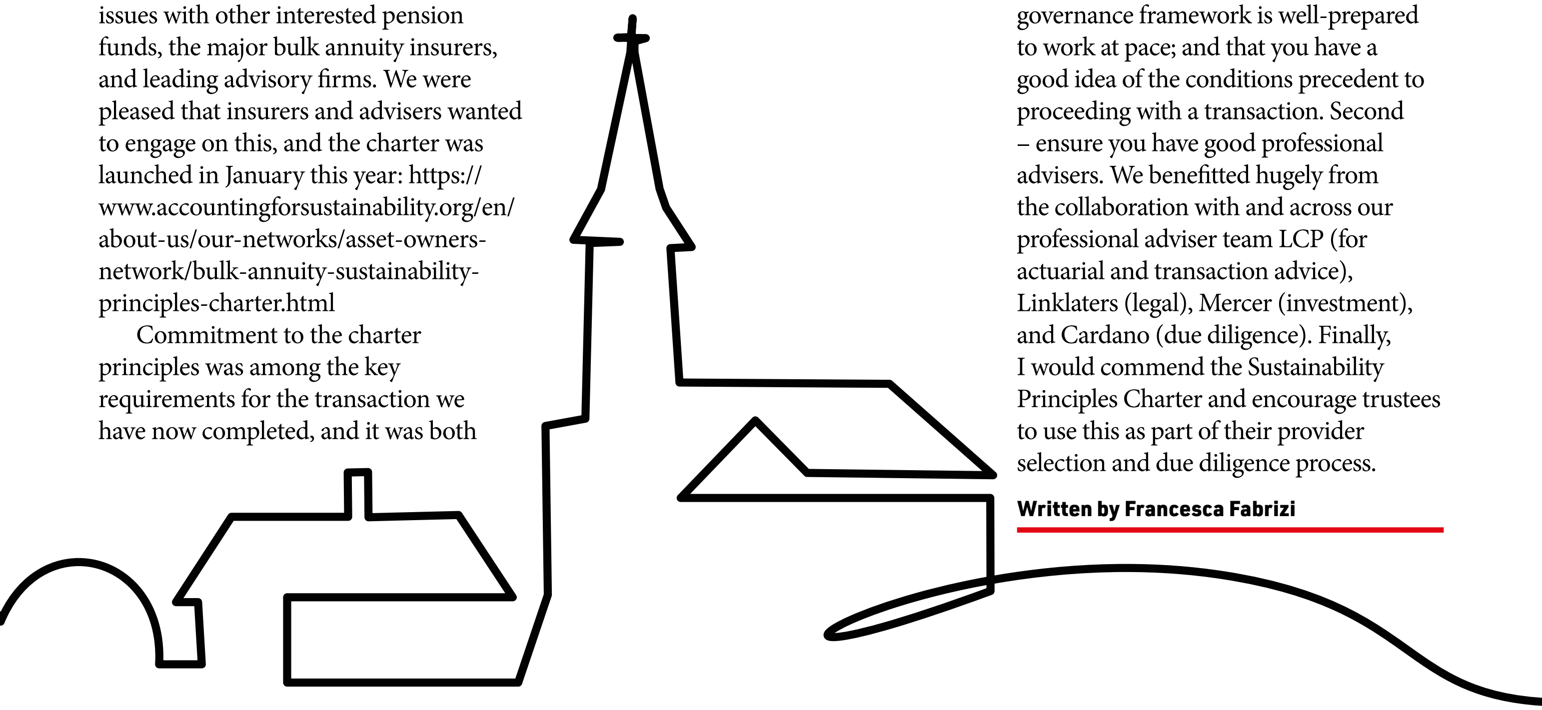
Commitment to the charter principles was among the key requirements for the transaction we have now completed, and it was both interesting and helpful to see how insurers are adopting the charter in practice. It gave us a lot of confidence in proceeding with Aviva.

What were the challenges faced by the trustee before, during and after the buy-in process, and how were they overcome?

Because we were well prepared and had the recent experience of the previous buy-in, the challenges were few and generally anticipated. Liaison with employers was really important through this process and will continue to be important if and as we explore buyout.

How long did the process take from start to finish?

Having identified the potential opportunity, we started to take preparatory steps in 2023, including, for example, further work on data and de-risking scheme assets. We went to market in the summer and concluded the transaction at the start of October – a period of about four to five months.



Now that all pensions within the CWPF DB scheme are backed by insurance policies, what does this mean for the future?

The first thing to say is that this is good news for members and employers. For members of the scheme, it provides improved security of benefits, and it significantly reduces the risk to employers.

The next natural step would be to consider moving to buyout. That is not a foregone conclusion, but clearly a scenario we envisaged in planning the buy-in policies.

What advice would you offer to similar schemes who are thinking of embarking on a similar journey?

First, preparation is key – particularly ensuring that membership data is in a good place before engaging with the insurer market; that the trustee governance framework is well-prepared to work at pace; and that you have a good idea of the conditions precedent to proceeding with a transaction. Second – ensure you have good professional advisers. We benefitted hugely from the collaboration with and across our professional adviser team LCP (for actuarial and transaction advice), Linklaters (legal), Mercer (investment), and Cardano (due diligence). Finally, I would commend the Sustainability Principles Charter and encourage trustees to use this as part of their provider selection and due diligence process.

Written by Francesca Fabrizi